KIMCO REALTY CORP
Form 10-Q
August 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-10899

Kimco Realty Corporation
(Exact name of registrant as specified in its charter)

Maryland	13-2744380
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3333 New Hyde Park Road, New Hyde Park, NY 11042
(Address of principal executive offices) (Zip Code)

(516) 869-9000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer, “accelerated filer” and “smaller reporting company” in Rule 12-b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).
Yes o No ý

As of July 25, 2012, the registrant had 406,954,653 shares of common stock outstanding.

PART I FINANCIAL INFORMATION

KIMCO REALTY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except share information)

		June 30, 2012		December 31, 2011
Assets:				
Operating real estate, net of accumulated depreciation of $1,743,276 and $1,693,090, respectively	$	7,087,796	$	6,898,445
Investments and advances in real estate joint ventures		1,436,038		1,404,214
Real estate under development		129,877		179,722
Other real estate investments		340,325		344,131
Mortgages and other financing receivables		96,150		102,972
Cash and cash equivalents		383,729		112,882
Marketable securities		34,439		33,540
Accounts and notes receivable		131,487		149,807
Other assets		390,230		388,803
Total assets	$	10,030,071	$	9,614,516
Liabilities:				
Notes payable	$	3,161,028	$	2,983,886
Mortgages payable		990,586		1,085,371
Construction loans payable		40,002		45,128
Dividends payable		98,883		92,159
Other liabilities		439,424		432,755
Total liabilities		4,729,923		4,639,299
Redeemable noncontrolling interests		95,059		95,074
Stockholders' equity:				
Preferred Stock, $1.00 par value, authorized 5,109,200 and 5,146,000 shares, respectively				
Class F Preferred Stock, $1.00 par value, authorized 700,000 shares issued and outstanding 700,000 shares Aggregate liquidation preference $175,000		700		700
Class G Preferred Stock, $1.00 par value, authorized 184,000 shares issued and outstanding 184,000 shares Aggregate liquidation preference $460,000		184		184
Class H Preferred Stock, $1.00 par value, authorized 70,000 shares issued and outstanding 70,000 shares Aggregate liquidation preference $175,000		70		70
Class I Preferred Stock, $1.00 par value, authorized 18,400 and zero shares, respectively issued and outstanding 16,000 and zero shares, respectively Aggregate liquidation preference $400,000		16		-
Common Stock, $.01 par value, authorized 750,000,000 shares issued and outstanding 406,891,427 and 406,937,830 shares, respectively		4,069		4,069

Paid-in capital		5,880,740			5,492,022	
Cumulative distributions in excess of net income		(771,282	)		(702,999	)
		5,114,497			4,794,046	
Accumulated other comprehensive income		(99,889	)		(107,660	)
Total stockholders' equity		5,014,608			4,686,386	
Noncontrolling interests		190,481			193,757	
Total equity		5,205,089			4,880,143	
Total liabilities and equity	$	10,030,071		$	9,614,516	

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues				
Revenues from rental property	$226,709	$211,637	$447,054	$425,607
Management and other fee income	8,710	8,437	18,135	18,100
Total revenues	235,419	220,074	465,189	443,707
Operating expenses				
Rent	2,932	3,807	6,201	7,101
Real estate taxes	29,632	28,141	59,175	57,562
Operating and maintenance	28,980	26,868	56,938	59,432
General and administrative expenses	30,973	29,612	65,404	59,358
Impairment charges	24,495	3,721	25,948	3,721
Depreciation and amortization	63,124	59,131	124,917	121,963
Total operating expenses	180,136	151,280	338,583	309,137
Operating income	55,283	68,794	126,606	134,570
Other income/(expense)				
Mortgage and other financing income	1,985	1,940	3,992	3,769
Interest, dividends and other investment income	349	8,932	510	13,797
Other income/(expense), net	511	772	(3,077)	479
Interest expense	(57,387)	(55,601)	(114,881)	(110,941)
Income from other real estate investments	416	447	1,143	612
Income from continuing operations before income taxes, equity in income of joint ventures and equity in income from other real estate investments	1,157	25,284	14,293	42,286
Benefit/(provision) for income taxes, net	4,656	(5,640)	616	(9,893)
Equity in income of joint ventures, net	42,500	17,824	79,246	30,169
Equity in income of other real estate investments, net	14,074	4,831	25,103	10,335
Income from continuing operations	62,387	42,299	119,258	72,897
Discontinued operations				
(Loss)/income from discontinued operating properties, net of tax	(4,285)	487	(6,283)	4,940
Impairment/loss on operating properties sold, net of tax	(1,037)	(5,496)	(8,741)	(8,689)
Gain on disposition of operating properties	11,263	4,025	23,242	4,188
Income/(loss) from discontinued operations	5,941	(984)	8,218	439
Gain on sale of operating properties, net of tax	4,059	-	4,059	-

Net income	72,387	41,315	131,535	73,336
Net income attributable to noncontrolling interests	(3,275)	(2,606)	(8,785)	(5,665)
Net income attributable to the Company	69,112	38,709	122,750	67,671
Preferred stock dividends	(20,841)	(14,841)	(36,415)	(29,681)
Net income available to the Company's common shareholders	$48,271	$23,868	$86,335	$37,990
Per common share:				
Income from continuing operations:				
-Basic	$0.10	$0.06	$0.20	$0.09
-Diluted	$0.10	$0.06	$0.20	$0.09
Net income:				
-Basic	$0.12	$0.06	$0.21	$0.09
-Diluted	$0.12	$0.06	$0.21	$0.09
Weighted average shares:				
-Basic	405,560	406,559	405,916	406,500
-Diluted	406,476	407,562	406,827	407,472
Amounts available to the Company's common shareholders:				
Income from continuing operations, net of tax	$42,381	$24,970	$80,399	$37,778
Income/(loss) from discontinued operations	5,890	(1,102)	5,936	212
Net income	$48,271	$23,868	$86,335	$37,990

The accompanying notes are an integral part of these condensed consolidated financial statements.

KIMCO REALTY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	$72,387	$41,315	$131,535	$73,336
Other comprehensive income:				
Change in unrealized (loss)/gain on marketable securities	(231)	1,914	928	(2,129)
Change in unrealized gain on interest rate swaps	179	128	372	259
Change in unrealized gain on foreign currency hedge agreements	-	1,073	-	-
Foreign currency translation adjustment	(44,606)	35,003	9,572	58,032
Other comprehensive income	(44,658)	38,118	10,872	56,162
Comprehensive income	27,729	79,433	142,407	129,498
Comprehensive income attributable to noncontrolling interests	(3,109)	(5,354)	(11,886)	(9,985)
Comprehensive income attributable to the Company	$24,620	$74,079	$130,521	$119,513

The accompanying notes are an integral part of these condensed consolidated financial statements.

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2012 and 2011

(Unaudited)

(in thousands)

	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Preferred Stock Issued	Preferred Stock Amount	Common Stock Issued	Common Stock Amount	Paid-in Capital	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2011	$(515,164)	$(23,853)	954	$954	406,424	$4,064	$5,469,841	$4,935,842	$225,444	$5,161,286
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	952	952
Comprehensive income:										
Net income	67,671	-	-	-	-	-	-	67,671	5,665	73,336
Other comprehensive income, net of tax:										
Unrealized loss on marketable securities	-	(2,129)	-	-	-	-	-	(2,129)	-	(2,129)
Change in unrealized gain on interest rate swaps	-	259	-	-	-	-	-	259	-	259
Change in foreign currency translation adjustment	-	53,712	-	-	-	-	-	53,712	4,320	58,032
Redeemable noncontrolling interests	-	-	-	-	-	-	-	-	(3,161)	(3,161)
Dividends ($0.36 per common share; $0.8312 per Class F Depositary Share, $0.9688	(176,636)	-	-	-	-	-	-	(176,636)	-	(176,636)

per Class G Depositary Share and $0.8625 per Class H Depositary Share, respectively)										
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	(4,272)	(4,272)
Issuance of common stock	-	-	-	-	438	5	4,935	4,940	-	4,940
Surrender of common stock	-	-	-	-	(13)	-	(244)	(244)	-	(244)
Repurchase of common stock	-	-	-	-	(74)	(1)	(1,414)	(1,415)	-	(1,415)
Exercise of common stock options	-	-	-	-	184	2	2,826	2,828	-	2,828
Acquisition of noncontrolling interests	-	-	-	-	-	-	887	887	(10,589)	(9,702)
Amortization of equity awards	-	-	-	-	-	-	7,571	7,571	-	7,571
Balance, June 30, 2011	$(624,129)	$27,989	954	$954	406,959	$4,070	$5,484,402	$4,893,286	$218,359	$5,111,645
Balance, January 1, 2012	$(702,999)	$(107,660)	954	$954	406,938	$4,069	$5,492,022	$4,686,386	$193,757	$4,880,143
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	1,201	1,201
Comprehensive income:										
Net income	122,750	-	-	-	-	-	-	122,750	8,785	131,535
Other comprehensive income, net of tax:										
Unrealized gain on marketable securities	-	928	-	-	-	-	-	928	-	928
Change in unrealized gain on interest rate swaps	-	372	-	-	-	-	-	372	-	372

Change in foreign currency translation adjustment	-	6,471	-	-	-	-	-	6,471	3,101	9,572
Redeemable noncontrolling interests	-	-	-	-	-	-	-	-	(3,148)	(3,148)
Dividends ($0.38 per common share; $0.8312 per Class F Depositary Share, $0.9688 per Class G Depositary Share, $0.8625 per Class H Depositary Share, and $0.4208 per Class I Depositary Share, respectively)	(191,033)	-	-	-	-	-	-	(191,033)	-	(191,033)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	(8,823)	(8,823)
Issuance of common stock	-	-	-	-	1,093	11	18,055	18,066	-	18,066
Issuance of preferred stock	-	-	16	16	-	-	387,214	387,230	-	387,230
Surrender of common stock	-	-	-	-	(84)	-	(1,555)	(1,555)	-	(1,555)
Repurchase of common stock	-	-	-	-	(1,536)	(16)	(28,942)	(28,958)	-	(28,958)
Exercise of common stock options	-	-	-	-	480	5	7,174	7,179	-	7,179
Acquisition of noncontrolling interests							(1,244)	(1,244)	(4,392)	(5,636)
Amortization of equity awards	-	-	-	-	-	-	8,016	8,016	-	8,016
Balance, June 30, 2012	$(771,282)	$(99,889)	970	$970	406,891	$4,069	$5,880,740	$5,014,608	$190,481	$5,205,089

The accompanying notes are an integral part of these condensed consolidated financial statements.

6

KIMCO REALTY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30, 2012	2011
Cash flow from operating activities:		
Net income	$131,535	$73,336
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,191	128,286
Impairment charges	34,570	12,352
Gain on sale of operating properties	(31,318)	(4,188)
Equity in income of joint ventures, net	(79,246)	(30,169)
Equity in income from other real estate investments, net	(25,103)	(10,335)
Distributions from joint ventures and other real estate investments	115,627	57,134
Cash retained from excess tax benefits	-	(69)
Change in accounts and notes receivable	18,320	(4,450)
Change in accounts payable and accrued expenses	114	(5,622)
Change in other operating assets and liabilities	(20,258)	(440)
Net cash flow provided by operating activities	275,432	215,835
Cash flow from investing activities:		
Acquisition of and improvements to operating real estate	(329,020)	(79,401)
Acquisition of and improvements to real estate under development	(1,749)	(16,655)
Proceeds from sale/repayments of marketable securities	118	178,279
Investments and advances to real estate joint ventures	(121,242)	(71,219)
Reimbursements of investments and advances to real estate joint ventures	80,023	25,480
Other real estate investments	(4,123)	(3,709)
Reimbursements of investments and advances to other real estate investments	6,906	20,586
Investment in mortgage loans receivable	(25)	-
Collection of mortgage loans receivable	9,733	3,170
Other investments	(762)	(730)
Reimbursements of other investments	9,151	10,914
Proceeds from sale of operating properties	206,107	39,523
Proceeds from sale of development properties	-	7,373
Net cash flow (used for)/provided by investing activities	(144,883)	113,611
Cash flow from financing activities:		
Principal payments on debt, excluding normal amortization of rental property debt	(200,312)	(20,331)
Principal payments on rental property debt	(11,651)	(11,256)
Principal payments on construction loan financings	-	(272)
Proceeds from mortgage/construction loan financings	6,276	9,023
Repayment under unsecured revolving credit facilities, net	(226,220)	(101,425)
Proceeds from issuance of unsecured term loan	400,000	-
Financing origination costs	(1,391)	(402)
Redemption of non-controlling interests	(7,548)	(9,702)
Dividends paid	(184,307)	(177,580)

Cash retained from excess tax benefits	-	69
Proceeds from issuance of stock	394,409	2,758
Repurchase of common stock	(28,958)	(1,415)
Net cash flow provided/(used for) financing activities	140,298	(310,533)
Change in cash and cash equivalents	270,847	18,913
Cash and cash equivalents, beginning of period	112,882	125,154
Cash and cash equivalents, end of period	$383,729	$144,067
Interest paid during the period (net of capitalized interest of $926 and $5,151, respectively)	$113,411	$108,049
Income taxes paid during the period	$1,584	$851

The accompanying notes are an integral part of these condensed consolidated financial statements.

KIMCO REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

Principles of Consolidation -

The accompanying Condensed Consolidated Financial Statements include the accounts of Kimco Realty Corporation and Subsidiaries, (the “Company”). The Company’s Subsidiaries includes subsidiaries which are wholly-owned, and all entities in which the Company has a controlling financial interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity (“VIE”) or meets certain criteria of a sole general partner or managing member in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). All inter-company balances and transactions have been eliminated in consolidation. The information furnished in the accompanying Condensed Consolidated Financial Statements is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's 2011 Annual Report on Form 10-K for the year ended December 31, 2011 ("10-K"), as certain disclosures in the Quarterly Report on Form 10-Q that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

Subsequent Events -

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements (see Footnote 21).

Income Taxes -

The Company elected status as a Real Estate Investment Trust (a “REIT”) for federal income tax purposes beginning in its taxable year ended December 31, 1991 and operates in a manner that enables the Company to maintain its status as a REIT. As a REIT, the Company must distribute at least 90 percent of its taxable income and will not pay federal income taxes on the amount distributed to its shareholders. Therefore, the Company is not subject to federal income taxes if it distributes 100 percent of its taxable income. Most states, where the Company holds investments in real estate, conform to the federal rules recognizing REITs. Certain subsidiaries have made a joint election with the Company to be treated as taxable REIT subsidiaries (“TRS”), which permit the Company to engage in certain business activities in which the REIT may not conduct directly. A TRS is subject to federal and state income taxes on the income from these activities and the Company includes a provision for taxes in its condensed consolidated financial statements. The Company is subject to and also includes in its tax provision non-U.S. income taxes on certain investments located in jurisdictions outside the U.S.

Earnings Per Share -

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Computation of Basic Earnings Per Share:				
Income from continuing operations	$62,387	$42,299	$119,258	$72,897
Gain on sale of operating properties, net of tax	4,059	-	4,059	-
Net income attributable to noncontrolling interests	(3,275)	(2,606)	(8,785)	(5,665)
Discontinued operations attributable to noncontrolling interests	51	118	2,282	227
Preferred stock dividends	(20,841)	(14,841)	(36,415)	(29,681)
Income from continuing operations available to the common shareholders	42,381	24,970	80,399	37,778
Earnings attributable to unvested restricted shares	(313)	(166)	(627)	(331)
Income from continuing operations attributable to common shareholders	42,068	24,804	79,772	37,447
Income/(loss) from discontinued operations attributable to the Company	5,890	(1,102)	5,936	212
Net income attributable to the Company's common shareholders for basic earnings per share	$47,958	$23,702	$85,708	$37,659
Weighted average common shares outstanding	405,560	406,559	405,916	406,500
Basic Earning Per Share Attributable to the Company's Common Shareholders:				
Income from continuing operations	$0.10	$0.06	$0.20	$0.09
Income from discontinued operations	0.02	-	0.01	-
Net income	$0.12	$0.06	$0.21	$0.09
Computation of Diluted Earnings Per Share:				
Income from continuing operations attributable to common shareholders	$42,068	$24,804	$79,772	$37,447
Income/(loss) from discontinued operations attributable to the Company	5,890	(1,102)	5,936	212
Net income attributable to the Company's common shareholders for diluted earnings per share	$47,958	$23,702	$85,708	$37,659
Weighted average common shares outstanding – basic	405,560	406,559	405,916	406,500
Effect of dilutive securities (a):				
Equity awards	916	1,003	911	972
Shares for diluted earnings per common share	406,476	407,562	406,827	407,472
Diluted Earnings Per Share Attributable to the Company's Common Shareholders:				
Income from continuing operations	$0.10	$0.06	$0.20	$0.09

Income from discontinued operations	0.02	-	0.01	-
Net income	$0.12	$0.06	$0.21	$0.09

(a) For the three and six months ended June 30, 2012 and 2011, the effect of certain convertible units would have an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations. Additionally, there were 14,343,058 and 13,663,959 stock options that were not dilutive at June 30, 2012 and 2011, respectively.

The Company's unvested restricted share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings.

New Accounting Pronouncements -

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurements and Disclosures (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" ("ASU 2011-04"). ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles related to measuring fair value and requires additional disclosures about fair value measurements. Specifically, the guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are only relevant when measuring the fair value of nonfinancial assets whereas they are not relevant when measuring the fair value of financial assets and liabilities. Required disclosures are expanded under the new guidance, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs used, and a narrative description of the valuation processes in place and sensitivity of recurring Level 3 measurements to changes in unobservable inputs will be required. Entities will also be required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the balance sheet but for which the fair value is required to be disclosed. ASU 2011-04 is effective for annual periods beginning after December 15, 2011, and is to be applied prospectively. The Company’s adoption of this guidance did not have a material impact on its financial statement presentation.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (“ASU 2011-05”). The amendments in this ASU require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB deferred portions of this update in its issuance of ASU 2011-12 Accounting Standards Update No. 2011-12 (“ASU 2011-12”), Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05. The amendment requires that all non-owner changes in stockholders’ equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-12 defers only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011, with early adoption permitted, but full retrospective application is required. The adoption of ASU 2011-05 and ASU 2011-12 did not have a material impact on the Company’s financial statement presentation.

In November 2011, the FASB issued ASU 2011-10, Property, Plant and Equipment (Topic 360): Derecognition of in Substance Real Estate - a Scope Clarification (a consensus of the FASB Emerging Issues Task Force) (“ASU 2011-10”). ASU 2011-10 requires a parent company that ceases to have a controlling financial interest in a subsidiary that is in substance real estate because the subsidiary has defaulted on its nonrecourse debt to use the FASB’s Real Estate guidance to determine whether to derecognize the in substance real estate entities. ASU 2011-10 is effective for reporting periods beginning on or after June 15, 2012. The adoption of ASU 2011-10 is not expected to have a material impact on the Company’s financial position or results of operations.

In December 2011, the FASB released ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”). ASU 2011-11 requires companies to provide new disclosures about offsetting and related arrangements for financial instruments and derivatives. The provisions of ASU 2011-11 are effective for reporting periods beginning on or after January 1, 2013, and are required to be applied retrospectively. The adoption of ASU 2011-11 is not expected to have a material impact on the Company’s financial statement disclosures.

Reclassifications –

The Company made the following reclassifications to the Company’s 2011 Condensed Consolidated Balance Sheets to conform to the 2012 presentation: (i) a reclassification of amounts relating to leasing commissions from Operating real estate and Real estate under development to Other assets.

2. Operating Property Activities

Acquisitions -

During the six months ended June 30, 2012, the Company acquired the following properties, in separate transactions (in thousands):

			Purchase Price			
		Month		Debt		
Property Name	Location	Acquired	Cash	Assumed	Total	GLA*
Woodbridge S.C.	Sugarland, TX	Jan-12	$ 9,000	$ -	$ 9,000	97
Bell Camino Center	Sun City, AZ	Jan-12	4,185	4,210	8,395	63
Olympia West Outparcel	Olympia, WA	Feb-12	1,200	-	1,200	6

Frontier Village (1)	Lake Stevens, WA	Mar-12	12,231	30,900	43,131	195
Silverdale S.C. (1)	Silverdale, WA	Mar-12	8,335	24,000	32,335	170
31 parcels (2)	Various	Jan-12	30,753	-	30,753	83
1 parcels (3)	Duncan, SC	Jan-12	1,048	-	1,048	3
30 parcels (2)	Various	Mar-12	39,493	-	39,493	107
1 parcels (3)	Peru, IL	Mar-12	995	-	995	4
Towson Place (4)	Towson, MD	Apr - 12	69,375	57,625	127,000	680
Prien Lake Outparcel	Lake Charles, LA	May - 12	1,800	-	1,800	8
Devon Village	Devon, PA	June -12	28,550	-	28,550	79
4 Properties	Various, NC	June - 12	63,750	-	63,750	368
			$ 270,715	$ 116,735	$ 387,450	1,863

* Gross leasable area ("GLA")

(1) These properties were acquired from a joint venture in which the Company has a 15% noncontrolling interest. The Company evaluated these transactions pursuant to the FASB’s Consolidation guidance and as such recognized an aggregate gain of $2.0 million from the fair value adjustment associated with its original ownership due to a change in control and is included in Equity in income of joint ventures, net on the Company’s Condensed Consolidated Statements of Income.

(2) Acquired an aggregate of 61 parcels net leased to restaurants through a consolidated joint venture, in which the Company has a 99.1% controlling interest.

(3) Acquired an aggregate of two parcels net leased to restaurants through a consolidated joint venture, in which the Company has a 92.0% controlling interest.

(4) This property was acquired from a joint venture in which the Company had a 30% noncontrolling interest. The Company evaluated this transaction pursuant to the FASB’s Consolidation guidance and as such recognized a gain of $12.1 million from the fair value adjustment associated with its original ownership due to a change in control. In addition, the Company recognized promote income of $1.1 million in connection with this transaction. The gain and promote income are included in Equity in income of joint ventures, net on the Company’s Condensed Consolidated Statements of Income. Additionally, the debt assumed in connection with this transaction of $57.6 million was repaid in May 2012.

The aggregate purchase price of the properties acquired during the six months ended June 30, 2012 has been allocated as follows (in thousands):

Land	$	122,461
Buildings		197,756
Above Market Rents		9,118
Below Market Rents		(31,879)
In-Place Leases		20,514
Building Improvements		60,544
Tenant Improvements		12,169
Mortgage Fair Value Adjustment		(3,233)
	$	387,450

Additionally, during the six months ended June 30, 2012, the Company acquired the remaining interest in a consolidated joint venture for $2.2 million. Since there was no change in control from this transaction, the purchase of the additional interest resulted in a decrease to the Company's Paid-in capital of $1.2 million.

FNC Realty Corporation –

During the six months ended June 30, 2012, the Company acquired an additional 3.1% interest in FNC Realty Corporation ("FNC") for $3.4 million, which increased the Company's total ownership interest to 72.17%. The Company had previously and continues to consolidate FNC.

Dispositions –

During the six months ended June 30, 2012, the Company disposed of 23 operating properties and two outparcels, in separate transactions, for an aggregate sales price of $157.2 million. These transactions, which are included in Discontinued Operations, resulted in an aggregate gain of $23.2 million and impairment charges of $8.6 million.

Additionally, during the six months ended June 30, 2012, the Company disposed of four land parcels and one out parcel for an aggregate sales price of $6.4 million and recognized an aggregate gain of $1.8 million and impairment charges of $0.3 million related to these transactions. The gains from these transactions are recorded as Other income/(expense), net and the impairment charges have been recorded as Impairment charges in the Company's Condensed Consolidated Statements of Income. The Company provided seller financing in connection with the sale of one of the land parcels for $1.75 million, which bears interest at a rate of 6.5% for the first six months and 7.5% for the remaining term, and is scheduled to mature in November 2012. The Company evaluated this transaction pursuant to the FASB's real estate sales guidance and concluded that the criteria for sale recognition was met.

Also, during the six months ended June 30, 2012, the Company sold a land parcel in San Juan del Rio, Mexico for a sales price of 24.3 million Mexican Pesos ("MXN") (USD $1.9 million). The Company recognized a gain of MXN 5.7 million (USD $0.4 million) on this transaction. The gain from this transaction is recorded as Other income/(expense), net in the Company's Condensed Consolidated Statements of Income.

During the six months ended June 30, 2012, the Company sold a previously consolidated operating property to a newly formed unconsolidated joint venture in which the Company has a 20% noncontrolling interest for a sales price of $55.5 million. This transaction resulted in a pre-tax gain of $10.0 million, of which the Company deferred $2.0 million due to its continued involvement. This gain has been recorded as Gain on sale of operating properties, net of tax in the Company's Condensed Consolidated Statements of Income.

Impairment Charges -

During the six months ended June 30, 2012, the Company recognized aggregate impairment charges of $25.6 million relating to its investment in four operating properties. The aggregate book value of these properties was $54.3 million. The estimated aggregate fair value of these properties is based upon purchase price offers and a third party appraisal value aggregating $28.7 million (see Footnote 14).

3. Discontinued Operations

The Company reports as discontinued operations, properties held-for-sale as of the end of the current period and assets sold during the period. The results of these discontinued operations are included as a separate component of income on the Condensed Consolidated Statements of Income under the caption Discontinued operations. This reporting has resulted in certain reclassifications of 2011 financial statement amounts.

The components of income and expense relating to discontinued operations for the three and six months ended June 30, 2012 and 2011 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2012 and 2011 and the operations for the applicable period for those assets classified as held-for-sale as of June 30, 2012 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Discontinued operations:				
Revenues from rental property	$(370)	$6,292	$2,478	$17,459
Rental property expenses	(744)	(3,063)	(2,530)	(6,509)
Depreciation and amortization	(3,182)	(2,823)	(6,274)	(6,323)
Interest expense	(25)	(203)	(25)	(419)
Income from other real estate investments	10	240	13	514
Other (expense)/income, net	(13)	(8)	(104)	107
(Loss)/income from discontinued operating properties, before income taxes	(4,324)	435	(6,442)	4,829
Impairment charges	(513)	(5,438)	(8,622)	(8,631)
Gain on disposition of operating properties	11,263	4,025	23,242	4,188
(Provision)/benefit for income taxes, net	(485)	(6)	40	53
Income/(loss) from discontinued operating properties	5,941	(984)	8,218	439
Net income attributable to noncontrolling interests	(51)	(118)	(2,282)	(227)
Income/(loss) from discontinued operations attributable to the Company	$5,890	$(1,102)	$5,936	$212

During the six months ended June 30, 2012, the Company classified as held-for-sale two operating properties, comprising 0.2 million square feet of GLA. The book value of these properties was $14.8 million, net of accumulated depreciation of $6.3 million. The Company recognized an impairment charge of $3.4 million on one of these properties. The book value of the other property did not exceed its estimated fair value, less costs to sell, and as such no impairment charge was recognized. The Company's determination of the fair value of these properties, aggregating $8.6 million, was based upon executed contracts of sale with third parties (see Footnote 14). In addition, the Company completed the sale of three operating properties and one land parcel during the six months ended June 30, 2012 which were classified as held for sale during 2011 and 2012 (these dispositions are included in Footnote 2 above). The remaining property held-for-sale aggregating $2.8 million, net of accumulated depreciation of $1.7 million, is included in Other assets on the Company's Condensed Consolidated Balance Sheets.

4. Ground-Up Development

The Company is engaged in ground-up development projects which will be held as long-term investments by the Company. The ground-up development projects generally have significant pre-leasing prior to the commencement of construction. As of June 30, 2012, the Company had a total of four ground-up development projects, consisting of (i) two projects located in the U.S., (ii) one project located in Mexico and (iii) one project located in Peru.

5. Investments and Advances in Real Estate Joint Ventures

The Company and its subsidiaries have investments in and advances to various real estate joint ventures. These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases. The Company and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. As such, the Company holds noncontrolling interests in these joint ventures and accounts for them under the equity method of accounting. The table below presents joint venture investments for which the Company held an ownership interest at June 30, 2012 and December 31, 2011 and the Company’s share of income/(loss) for the six months ended June 30, 2012 and 2011 (in millions, except number of properties):

As of and for the six months ended June 30, 2012

Venture	Average Ownership Interest	Number of Properties	Total GLA	Gross Investment In Real Estate	The Company's Investment	The Company's Share of Income/(Loss)
Prudential Investment Program (“KimPru” and “KimPru II”) (1) (2)	15.00%	62	10.7	$ 2,752.7	$ 158.0	$ 4.1
Kimco Income Opportunity Portfolio (“KIR”) (2)	45.00%	59	12.6	1,561.2	141.1	11.9
UBS Programs (2)*	17.90%	41	5.8	1,303.8	60.6	0.4
BIG Shopping Centers (2)*	37.70%	23	3.8	557.9	37.6	(1.4)
The Canada Pension Plan Investment Board (“CPP”) (2)	55.00%	6	2.4	432.1	150.5	2.5
Kimco Income Fund (2)	15.20%	12	1.5	282.6	12.3	1.0
SEB Immobilien (2)	15.00%	13	1.8	360.9	1.8	0.3
Other Institutional Programs (2) (5) (8)	Various	62	3.3	577.9	21.2	18.4
RioCan (10)	50.00%	45	9.3	1,340.9	94.6	17.8
Intown (3)	-	138	N/A	835.8	88.1	0.8
Latin America	Various	131	18.1	1,183.3	321.3	6.5
Other Joint Venture Programs (4) (6) (7) (9) (11)						